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State Dept. review completed

6/17/98

NSC BRIEFING

15 July 1954

INDONESIA

I. Ali cabinet appears fairly secure for present.

A. Of two small parties, one reversed earlier decision to withdraw support. Other still on fence.

1. Even if both out, Ali might survive by relying on Communists.

2. Sukarno wants keep present setup.

B. By reassignment of parliamentary seats, P.N.I. leading government now has four more than Masjumi, leading opposition.

C. Deterioration economy not yet political

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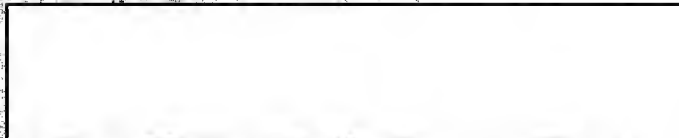
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1. Main sufferers are politically powerless Chinese and Europeans.
2. Opposition reluctant to take over economic mess.

II. Ali's confidence probably factor in timing of apparent decision to ship rubber China. Polish vessel in Djakarta since 1 July.

A.



shipment believed 6000 tons.

B. Loading halted after 250 tons on board; govt decision possibly not firm.

C. National Party, Communists have long advocated non-observance UN rubber embargo.

25X1C

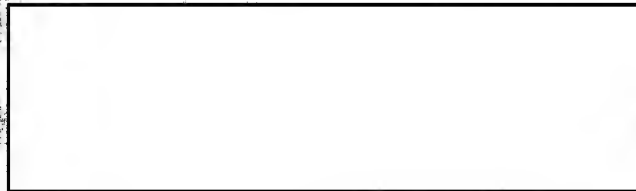
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1. In past, indications
Indonesia had trouble
making deal with Peiping.

2. Ceylon rubber meets
China's strategic needs;
purchase from Indo possibly
designed to strain US-Indo
relations.

D. Indo view of world alignment
may also be factor in decision:



E. Ali did not admit shipment to
our ambassador, but hoped no
application of Battle Act.

1. Said, anyway, US aid too
small to be missed.

Indo world's largest natural rubber
producer.

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25X6

West Indo rubber produced by
small holders rather than
estates.

B. Small holders important
politically.

C. Their rubber low-grade and Indos
claim hard to market.

D. But in demand on NY market.

1. Importers note reduced
availability; defaults by
Indo firms.

a. Probably result Indo
exchange, export re-
strictions.

b. Possibly, Indo letting
accumulate for sale
China.

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